

BILL # SB 1191

TITLE: rural hospitals; appropriation; fund

SPONSOR: Arzberger

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Beth Kohler

FISCAL ANALYSIS

Description

The bill requires the Arizona Health Care Cost Containment System (AHCCCS) to increase rural hospital inpatient reimbursement to reflect the cost of providing care. The bill establishes the Stable, Accessible, Viable and Efficient Rural Hospital Fund and appropriates \$7,000,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund in FY 2005 for this increased reimbursement.

Estimated Impact

The bill will have a General Fund impact of \$7,000,000. Because all Medically Needy Account monies are used to offset General Fund costs in AHCCCS Title XIX programs and Department of Health Services behavioral health programs, any use of Medically Needy Account monies for other purposes would require a dollar-for-dollar General Fund backfill in those budgets.

If AHCCCS is able to receive Federal Title XIX matching monies, the bill could also increase federal expenditures by an additional \$14,474,200 in FY 2005.

AHCCCS has not produced a separate cost analysis of this legislation.

Analysis

The bill requires AHCCCS to develop a methodology for distributing monies in the fund but does not define which hospitals would be considered rural or how AHCCCS should calculate the cost of providing care to determine sufficient reimbursement levels. AHCCCS believes that the bill gives them sufficient flexibility to calculate reimbursements that reflect the cost of providing care and that they will be able to develop a methodology that will not require additional funding beyond the \$7,000,000 appropriation.

Typically, state funding for the Title XIX program is used to match federal funds at a rate of approximately \$1 state to \$2 federal. If the methodology for distributing these funds is approved by the federal Centers for Medicare and Medicaid Services (CMS), AHCCCS would be eligible to receive an additional \$14,474,200 in federal Title XIX matching monies for the reimbursements for total FY 2005 spending of \$21,474,200. At this time, we do not know whether CMS will approve the distribution methodology.

Local Government Impact

None.